

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, DC 20549

FORM 10-Q

..X.. QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF
THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended March 31, 1993

OR

..... TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF
THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from to

Commission file number 1-1105

AMERICAN TELEPHONE AND TELEGRAPH COMPANY

A New York
Corporation

I.R.S. Employer
No. 13- 4924710

32 Avenue of the Americas, New York, New York 10013-2412

Telephone - Area Code 212-387-5400

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ..X.. No

At April 30, 1993 1,344,159,000 common shares were outstanding.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF
RESULTS OF OPERATIONS AND FINANCIAL CONDITION (CONT'D)

Cost of rentals and other services increased compared with the year-ago quarter and the gross margin percentage declined to 53.0 percent from 54.8 percent. The margin decline principally reflects the continuing shift in the mix of revenues, toward services from higher-margin rentals.

FINANCIAL SERVICES AND LEASING

Revenues from financial services and leasing increased 40.0 percent compared with the year-ago quarter. Both Universal Card and AT&T Capital experienced strong growth in revenues and volumes.

Universal Card had 10.8 million accounts and more than \$6.5 billion of cardholder receivables at the end of the quarter, up from 8.3 million accounts and \$3.9 billion of receivables at the end of the quarter a year ago. At December 31, 1992, receivables were \$6.6 billion, reflecting holiday purchases. Delinquent balances and charge-offs continue to be significantly below industry norms.

The increase in cost of financial services and leasing was associated with the higher revenues, which included a gain from asset securitization at AT&T Capital. The gross margin percentage reached 33.9 percent in the quarter compared with 30.2 percent in the same quarter last year, primarily reflecting the continued maturation of the credit card receivables portfolio.

OPERATING EXPENSES

Total operating expenses increased \$146 million compared with the first quarter of 1992, primarily as a result of increased promotional, advertising, sales and sales support activities in the telecommunications services market. Research and development expenses were about level with the year-ago quarter.

AT&T's NCR unit provided \$50 million for business restructuring activities in the quarter, primarily for reducing the size of its work force in Japan and the U.S. The consolidated statements show no expense because those charges were offset by the downward adjustment of other business restructuring reserves established in 1991. The \$29 million provision for business restructuring in the first quarter of 1992 was for costs of reducing the work force in telecommunications network products and systems units. All AT&T units will continue to make adjustments to their cost structures when required. In some cases, these adjustments may include facility consolidations, disposals of assets, work force reductions or withdrawal from markets.

In November 1992, the Financial Accounting Standards Board issued SFAS No. 112, "Employers' Accounting for Postemployment Benefits." Analogous to SFAS No. 106 for postretirement benefits, this standard requires companies to accrue for estimated future postemployment benefit expenses during the periods when employees are working.

**MANAGEMENT'S DISCUSSION AND ANALYSIS OF
RESULTS OF OPERATIONS AND FINANCIAL CONDITION (CONT'D)**

Postemployment benefits are any benefits other than retirement benefits that are provided after employment is discontinued. This standard must be adopted for fiscal years beginning after December 15, 1993; for AT&T, that would be 1994. Management is presently reviewing the provisions of this new standard and, consequently, is unable to reasonably estimate the impact of AT&T's adoption of the standard.

OTHER INCOME, INTEREST EXPENSE, PROVISION FOR INCOME TAXES

Other income - net and interest expense were both approximately level with the year-ago quarter. The earnings effects of expenses in the quarter for debt redemption, such as call premiums, were offset by one-time adjustments to interest income from trust funds set up to provide certain postemployment and postretirement benefits. The year-ago quarter also reflected expenses for refinancing long-term debt. (See also Note (d).)

The sale of AT&T's remaining ownership in USL to Novall, Inc., discussed in the 1992 Annual Report to Shareowners, is presently expected to occur in the second quarter of 1993.

The effective tax rate of 36.4 percent in the quarter was up only slightly from the 36.0 percent of the year-ago quarter, meaning that the increase in the provision for income taxes was approximately in proportion to the increase in income before income taxes.

TOTAL ASSETS, WORKING CAPITAL AND LIQUIDITY

Total assets decreased slightly from year-end 1992 as lower cash and temporary cash investments; accounts receivable; property, plant and equipment - net; and other assets more than offset higher levels of inventories and investments. Working capital, defined as current assets less current liabilities, decreased \$1.835 billion from year-end, because of AT&T's recognition of postretirement liabilities, planned redemptions of long-term debt, reduced accounts receivable, and a lower cash balance.

The decline in the balance of cash and temporary cash investments was planned. Management is presently targeting a balance of approximately \$800 million. The decline in accounts receivable primarily reflects the seasonally lower level of revenues in the first quarter relative to the fourth quarter. The increase in inventories primarily reflects building in anticipation of higher product and system sales later this year.

Property, plant and equipment, net of accumulated depreciation, declined from year-end as depreciation and retirements exceeded seasonally lower capital additions. The increase in investments was driven by a \$400 million investment in McCaw, a wireless communications company in which AT&T is negotiating a larger investment (see also Note (e)), and AT&T's investment in Unitel Communications, Inc., a Canadian long distance telecommunications company. The decline in other assets was caused primarily by netting prepaid health care costs with the accumulated liability for postretirement benefit expenses, which was recognized in the quarter.

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Response to Issue No. 42

SFAS 112 AT&T Assumptions And Methodology

General

The three benefits which were valued to determine the transition amount under SFAS 112 are the following:

- Postemployment Separation Benefits
- Long Term Disability - Income Replacement (LTD Income)
- Long Term Disability - Medical (LTD Medical)

The Separation Benefits accumulate and therefore are accounted for under SFAS 43 as specified in SFAS 112. The LTD Income and LTD Medical benefits are not considered to accumulate and, therefore, are accounted for under SFAS 5 as required by SFAS 112.

In general, this means that the costs of Separation Benefits are accrued over the working lifetimes of the active employees expected to receive those benefits. This is similar to the requirements of SFAS 87 and 106. Thus, the transition amount for Separation Benefits is the present value of Separation Benefits accrued up the time of the adoption of SFAS 112. (There are no plan assets maintained by AT&T for Separation Benefits.) For LTD Income and LTD Medical benefits, the transition amount is the present value of all future benefits for all employees who were disabled at the time of adoption of SFAS 112 and in receipt of LTD Income or LTD Medical benefits. (For LTD Income, the transition amount was reduced by the plan assets less prepaid plus accrued amounts of \$9 million. There are no plan assets for LTD Medical benefits).

The SFAS 112 costs for Separation Benefits reflect separation benefit schedules. In addition, a small portion of the costs is for health coverage for 3 months for employees with between one and five years of service at separation and 6 months for those with five or more years of service. This benefit is valued only for employees separated prior to retirement eligibility. (Health coverage for retirement eligible separations is included under SFAS 106.)

The calculation of the cost under SFAS 112 for all three benefits requires demographic data and assumptions relating to future events. One of the assumptions is the discount rate which was 8.25%, the same discount rate used to determine SFAS 87 pension costs and SFAS 106 postretirement benefit costs other than pensions. Schedules of Separation Benefits are also needed to perform cost calculations.

The information below describes in more detail the calculation methodology for determining costs for the three benefit values.

Postemployment Separation Benefits

The transition amount is the present value of the portion of future downsizing benefits allocated to service rendered prior to the date of adopting SFAS 112. The starting point in calculating the present value is the initial census data of all active employees both management and nonmanagement. This active data (sex, date of birth, net credited service date, pay) is projected forward to determine for each future year the employees expected to remain active and those expected to leave. The assumptions used to project the census are shown on pages 7 through 10 of Appendix F for management employees and pages 12 through 15 for nonmanagement employees and relate to leaving active service due to termination, disability, retirement and death.

A certain percentage of those who are expected to retire or terminate each year are assumed to receive Separation Benefits. That percentage is 19.30% for management and 50.87% for nonmanagement, based on average historical downsizing data compiled for the years 1988 through 1992 inclusive. The average annual downsizing rates were 1.25% for management and 4.46% for nonmanagement. These percentages, when applied to the estimated future retirements and terminations derived from projecting the census, produce an estimate of the number of employees who are expected to receive Separation Benefits each year.

The next step is to determine the amount of Separation Benefits for future years. The Separation Benefits are a function of pay and years of service at separation. Management and nonmanagement employees have different schedules as shown in Appendix B. In order to determine pay at future separation dates, the current pay of each employee, taken from the initial census, is projected forward using the pay growth assumptions shown in Appendix F, page 11 for management and page 16 for nonmanagement.

The application of the separation pay schedules to the estimated future pay of those current employees anticipated to terminate or retire with a Separation Benefit allows for the calculation of estimated Separation Benefits for each future year. A portion of those Separation Benefits is allocated to years of service prior to adoption of SFAS 112. That allocation is based on the ratio of the years of service rendered prior to the adoption of SFAS 112 for each employee over the total years of service at expected future termination or retirement (with a separation benefit).

Once this allocation is made, the initial liability is the present value of all future benefits after applying the allocation ratio. For example, if an employee's estimated Separation Benefit is \$30,000 on 1/1/2004 and that employee had 10 years of service on 1/1/94 which would result in 20 years of service on 1/1/2004, the \$30,000 would be multiplied by 10/20 to produce \$15,000. Thus, \$15,000 is the amount allocated to the period prior to 1/1/94 and a present value calculation would be made based on \$15,000 assumed payable in 2004.

Postemployment Separation Benefits also include medical coverage based on the following schedule:

Postemployment Separation/Medical Coverage

<u>Service</u>	<u>Months of Coverage</u>
Less than 1 year	0
1 - 5 years	3
5 or more years	6

In order to calculate the present value of future medical benefits associated with Postemployment Separation Benefits, the following initial average claims per employee were used:

<u>Service</u>	<u>Medical Claim Per Employee</u>
Less than 1 year	0
1 - 5 years	\$1,000 for 3 months coverage
5 or more years	\$2,000 for 6 months coverage

It was assumed that these claim amounts would increase by the salary scale assumption plus an additional 2% per year.

The methodology described above for determining SFAS 112 costs for Postemployment Separation Benefits is essentially the same as the methodology used under SFAS 87 for determining pension costs.

Long Term Disability - Income Replacement

The transition amount is the present value of future LTD Income benefits for all employees receiving LTD Income benefits at the time of adopting SFAS 112. The present value reflects the probability that an LTD Income recipient will die or recover from disability during each future year after adoption. The sum of the mortality rates and recovery rates are called termination rates. The termination rates are taken from the 1987 Commissioners Group Disability Table (1987 CGDT) published in the Transactions of the Society Of Actuaries). These rates vary by sex, age at disability and length of time since disability and are shown on pages 2, 3 and 4 of Appendix F. (The applicable printed page numbers appearing on pages 2, 3 and 4 are the bottom half of page 438 and all of page 439 for males; the bottom half of page 441 and all of page 442 for females.)

The demographic data of LTD Income recipients includes sex, date of birth, date of disability, date disability benefits began and amount of LTD Income benefit. Using the termination rates described above, a future stream of LTD Income benefit payments is calculated for all future years. These benefit payments are then discounted to arrive at a present value used to determine the transition amount by subtracting the plan assets less the prepaid amount, plus the accrued amount.

Long Term Disability - Medical

The transition amount or present value of LTD Medical was determined for most but not for all individuals on LTD Income, for the following reason. The LTD Income benefit is offset by other disability benefits, such as Social Security and pension benefits. Disabled employees who are in receipt of a pension benefit are not valued under SFAS 112 for LTD Medical benefits because their medical benefits are valued under SFAS 106 as a postretirement benefit.

The present value is calculated using the same termination rates (death plus recovery rates) used in valuing the LTD Income benefit as described above under Long Term Disability-Income Replacement. However, additional data and assumptions are needed. Average medical claim costs per retiree are included as input data and are shown separately on page 5 of Appendix F for dependents of LTD Medical recipients, for LTD Medical recipients receiving Social Security benefits and for LTD Medical recipients not receiving Social Security benefits. These average claims are projected forward to reflect medical trend (Appendix F, page 6) and also to reflect the fact that the medical claims for the employee on LTD Medical tend to decrease based on the duration of time since the LTD Medical coverage began. These durational factors are shown in Appendix F (the "cumulative durational trend rates" shown in the table in the top half of page 5.)

Using the actual demographic data of disabled employees on LTD Medical and from Appendix F, the medical claims data per retiree, the termination rate assumptions and the medical trend/medical inflation assumptions, a future stream of medical claim payments by calendar year is determined and then discounted to obtain a present value representing the transition amount.

Justification of Actuarial Assumptions

1. The discount rate of 8.25% was selected based on the requirements of SFAS 87 and 106, because SFAS 112 does not have specific requirements regarding the discount rate. As a guide in selecting the discount rate, the yield as of 12/31/92 on long-term high quality bonds was reviewed. In addition, the 8.25% Discount Rate was also used for both SFAS 87 and 106 purposes.

Based on a Spencer Company survey (cited in Pleading Section I), AT&T's discount rate of 8.25% was in the mid-range of discount rates used by the companies surveyed for SFAS 106. (There was no survey with respect to SFAS 112 discount rates). The average discount rate was 8.14%. Thus, the survey results, which did not become available until mid-1994, support the reasonableness of AT&T's discount rate.

2. The SFAS 112 assumptions regarding leaving the work force (withdrawal, death, disability and retirement) were also used to determine the SFAS 87 and SFAS 106 expenses. The salary growth assumptions for SFAS 112 were also used for SFAS 87 and 106 purposes.

These assumptions are based on AT&T's actual experience to a greater extent than the assumptions used by the vast majority of other companies and, therefore, have a high degree of reliability.

3. In order to determine the transition amount for LTD Medical, two assumptions are used to project average medical claims per LTD Medical recipient. The first is the medical care trend rate which reflects anticipated price inflation, changes in health care utilization, the effects of Medicare and the impact of current plan provisions. The second assumption reflects the tendency of medical claims of LTD recipients to decrease based on the time since LTD Medical coverage began. The justification of these two assumptions is described below:

Medical Care Trend Rate

Of the factors affecting the medical care trend rates, the two major factors are price inflation and changes in health care utilization.

Medical care price inflation reflects not only general inflation but also those factors unique to medical care such as malpractice costs, new technology and cost shifting. As a result, the medical care component of the CPI has outpaced general inflation for many years. However, as a practical matter, there is a limit to the extent by which this spread can continue in the future. Otherwise, health expenditures would eventually consume a disproportionate share of the GNP.

Therefore, in projecting the medical care component of the CPI the overall CPI was used as the measure for general inflation and it was assumed that the spread between general inflation and the medical care component of the CPI would disappear by the year 2000.

A number of changes embodied in OBRA 89 and OBRA 90 which will substantially affect price inflation were also reflected in the projected trend. These include the new Resource Based Relative Value Schedule, the Balance Billing limits on provider charges and additional limits on hospital reimbursements that have been enacted into law to control Medicare expenses. It was assumed that any reduction in provider income resulting from these changes will be shifted to other payors, including LTD Medical benefits recipients ineligible for Medicare. However, it was also assumed that some payors will be able to avoid some of this cost shift, including the carrier which administers the hospital portion of the AT&T program.

In addition, an annual increase in the utilization of medical care services from 1-2% was projected based on utilization data in the Financial Executives Research Foundation's research book "Retiree Health Benefits - Field Test of the FASB Proposal."

The underlying trend rates as described above were adjusted to a net trend to reflect the leveraging effect of the plan's deductible and out-of-pocket maximum. The trend rates were also reduced for the first few years to reflect the anticipated impact of managed care, which affects medical coverage available to LTD Medical benefit recipients.

SFAS 106 and by inference SFAS 112 precludes firms from reflecting in their trend rates possible future changes in legislation, such as potential legislation affecting Medicare or national health insurance.

Durational Trend Rates

The durational trend rates are shown on page 5 of Appendix F. These trend rates are credible because they are based on actual medical claims of AT&T former employees who are disabled and eligible for LTD Medical benefits. The claims data were analyzed based on elapsed time since LTD Medical coverage began.

Assumptions Unique to SFAS 112

- **Durational Trend Rates**

This assumption is unique because it relates solely to LTD recipients. These trend rates are justified because they are based on AT&T experience.

- The downsizing rates used to estimate future separation rates. These downsizing rates are credible because they are based on actual AT&T downsizing experience over the five year period from 1988 to 1992. Any employees who left the Company during this period due to enhanced pension incentive programs were omitted from the downsizing data. These downsizing assumptions were utilized in such a way to be totally consistent with the assumptions used to determine Company expenses under SFAS 87 and 106.

APPENDIX F

ASSUMPTIONS FOR DETERMINING SFAS 112 TRANSITION AMOUNT

TABLE E-1 — Continued

Duration of Disablement	Age of Disablement								
	22	27	32	37	42	47	52	57	62
6-MONTH ELIMINATION PERIOD									
6 Months*	0.8000	0.8900	1.0500	1.3700	2.0200	3.5600	6.6200	11.8700	16.7100
7TH Month	0.0588	0.0533	0.0455	0.0397	0.0357	0.0302	0.0246	0.0189	0.0144
8TH Month	0.0608	0.0552	0.0470	0.0411	0.0373	0.0320	0.0261	0.0203	0.0137
9TH Month	0.0567	0.0504	0.0423	0.0365	0.0327	0.0282	0.0231	0.0184	0.0119
10TH Month	0.0517	0.0458	0.0384	0.0329	0.0292	0.0257	0.0207	0.0167	0.0101
11TH Month	0.0473	0.0419	0.0352	0.0299	0.0261	0.0235	0.0187	0.0151	0.0087
12TH Month	0.0434	0.0385	0.0325	0.0275	0.0237	0.0212	0.0170	0.0139	0.0077
13TH Month	0.0397	0.0351	0.0300	0.0253	0.0214	0.0191	0.0155	0.0127	0.0068
14TH Month	0.0364	0.0320	0.0276	0.0234	0.0196	0.0174	0.0143	0.0118	0.0060
15TH Month	0.0334	0.0291	0.0256	0.0217	0.0182	0.0159	0.0133	0.0110	0.0057
16TH Month	0.0307	0.0264	0.0236	0.0203	0.0170	0.0149	0.0125	0.0102	0.0053
17TH Month	0.0282	0.0241	0.0218	0.0191	0.0160	0.0140	0.0118	0.0095	0.0050
18TH Month	0.0260	0.0221	0.0202	0.0180	0.0152	0.0131	0.0112	0.0089	0.0048
19TH Month	0.0241	0.0204	0.0187	0.0170	0.0145	0.0124	0.0105	0.0085	0.0045
20TH Month	0.0224	0.0193	0.0175	0.0161	0.0139	0.0118	0.0100	0.0080	0.0044
21ST Month	0.0208	0.0181	0.0164	0.0153	0.0132	0.0113	0.0095	0.0077	0.0043
22ND Month	0.0196	0.0173	0.0154	0.0146	0.0127	0.0109	0.0091	0.0073	0.0042
23RD Month	0.0187	0.0168	0.0147	0.0140	0.0122	0.0104	0.0088	0.0070	0.0042
24TH Month	0.0182	0.0166	0.0141	0.0134	0.0120	0.0102	0.0086	0.0068	0.0043
12-MONTH ELIMINATION PERIOD									
12 Months*	0.5060	0.5930	0.7450	1.0280	1.5940	2.9170	5.5670	10.0100	13.4500
13TH Month	0.0194	0.0157	0.0133	0.0122	0.0116	0.0113	0.0108	0.0096	0.0075
14TH Month	0.0248	0.0213	0.0182	0.0164	0.0146	0.0138	0.0126	0.0106	0.0073
15TH Month	0.0253	0.0220	0.0188	0.0176	0.0155	0.0146	0.0130	0.0105	0.0070
16TH Month	0.0248	0.0212	0.0183	0.0174	0.0152	0.0142	0.0125	0.0098	0.0063
17TH Month	0.0238	0.0202	0.0177	0.0167	0.0149	0.0136	0.0119	0.0090	0.0051
18TH Month	0.0228	0.0194	0.0174	0.0163	0.0147	0.0131	0.0107	0.0077	0.0045
19TH Month	0.0221	0.0188	0.0170	0.0159	0.0143	0.0124	0.0097	0.0066	0.0041
20TH Month	0.0216	0.0185	0.0167	0.0157	0.0139	0.0118	0.0091	0.0060	0.0038
21ST Month	0.0208	0.0179	0.0163	0.0152	0.0133	0.0113	0.0088	0.0059	0.0037
22ND Month	0.0194	0.0172	0.0154	0.0142	0.0127	0.0110	0.0086	0.0059	0.0036
23RD Month	0.0184	0.0164	0.0147	0.0135	0.0122	0.0106	0.0086	0.0060	0.0036
24TH Month	0.0176	0.0158	0.0140	0.0130	0.0119	0.0104	0.0086	0.0061	0.0038

*Rates of disablement per 1,000 lives.

TABLE E-1 — Continued

Duration of Disablement	Age of Disablement								
	22	27	32	37	42	47	52	57	62
ALL ELIMINATION PERIODS									
3RD Year	0.1764	0.1633	0.1465	0.1277	0.1092	0.0922	0.0771	0.0636	0.0497
4TH Year	0.1233	0.1074	0.0899	0.0734	0.0606	0.0523	0.0483	0.0471	0.0455
5TH Year	0.0953	0.0844	0.0706	0.0572	0.0476	0.0434	0.0437	0.0455	0.0439
6TH Year	0.0716	0.0657	0.0564	0.0473	0.0412	0.0384	0.0393	0.0419	0.0412
7TH Year	0.0541	0.0508	0.0458	0.0410	0.0384	0.0362	0.0365	0.0391	0.0410
8TH Year	0.0409	0.0396	0.0376	0.0362	0.0365	0.0351	0.0355	0.0390	0.0436
9TH Year	0.0308	0.0317	0.0318	0.0324	0.0347	0.0343	0.0349	0.0401	0.0475
10TH Year	0.0246	0.0257	0.0273	0.0293	0.0328	0.0332	0.0336	0.0404	0.0515
11TH Year	0.0218	0.0229	0.0248	0.0275	0.0315	0.0329	0.0347	0.0440	0.0615
12TH Year	0.0220	0.0232	0.0252	0.0284	0.0320	0.0332	0.0357	0.0469	0.0660
13TH Year	0.0221	0.0235	0.0257	0.0292	0.0321	0.0337	0.0373	0.0501	0.0708
14TH Year	0.0224	0.0239	0.0263	0.0301	0.0324	0.0339	0.0389	0.0536	0.0761
15TH Year	0.0226	0.0243	0.0269	0.0308	0.0327	0.0344	0.0414	0.0577	0.0818
16TH Year	0.0229	0.0248	0.0275	0.0315	0.0329	0.0347	0.0440	0.0615	0.0880
17TH Year	0.0232	0.0252	0.0284	0.0320	0.0332	0.0357	0.0469	0.0660	0.0947
18TH Year	0.0235	0.0257	0.0292	0.0321	0.0337	0.0373	0.0501	0.0708	0.1020
19TH Year	0.0239	0.0263	0.0301	0.0324	0.0339	0.0389	0.0536	0.0761	0.1099
20TH Year	0.0243	0.0269	0.0308	0.0327	0.0344	0.0414	0.0577	0.0818	0.1183
21ST Year	0.0248	0.0275	0.0315	0.0329	0.0347	0.0440	0.0615	0.0880	0.1274
22ND Year	0.0252	0.0284	0.0320	0.0332	0.0357	0.0469	0.0660	0.0947	0.1372
23RD Year	0.0257	0.0292	0.0321	0.0337	0.0373	0.0501	0.0708	0.1020	0.1477
24TH Year	0.0263	0.0301	0.0324	0.0339	0.0389	0.0536	0.0761	0.1099	0.1589
25TH Year	0.0269	0.0308	0.0327	0.0344	0.0414	0.0577	0.0818	0.1183	0.1709
26TH Year	0.0275	0.0315	0.0329	0.0347	0.0440	0.0615	0.0880	0.1274	0.1837
27TH Year	0.0284	0.0320	0.0332	0.0357	0.0469	0.0660	0.0947	0.1372	0.1973
28TH Year	0.0292	0.0321	0.0337	0.0373	0.0501	0.0708	0.1020	0.1477	0.2117
29TH Year	0.0301	0.0324	0.0339	0.0389	0.0536	0.0761	0.1099	0.1589	0.2268
30TH Year	0.0308	0.0327	0.0344	0.0414	0.0577	0.0818	0.1183	0.1709	0.2427
31ST Year	0.0315	0.0329	0.0347	0.0440	0.0615	0.0880	0.1274	0.1837	0.2595
32ND Year	0.0320	0.0332	0.0357	0.0469	0.0660	0.0947	0.1372	0.1973	0.2768
33RD Year	0.0321	0.0337	0.0373	0.0501	0.0708	0.1020	0.1477	0.2117	0.2949
34TH Year	0.0324	0.0339	0.0389	0.0536	0.0761	0.1099	0.1589	0.2268	0.3136
35TH Year	0.0327	0.0344	0.0414	0.0577	0.0818	0.1183	0.1709	0.2427	0.3326
36TH Year	0.0329	0.0347	0.0440	0.0615	0.0880	0.1274	0.1837	0.2595	0.3522
37TH Year	0.0332	0.0357	0.0469	0.0660	0.0947	0.1372	0.1973	0.2768	0.3719
38TH Year	0.0337	0.0373	0.0501	0.0708	0.1020	0.1477	0.2117	0.2949	0.3917
39TH Year	0.0339	0.0389	0.0536	—	—	—	—	—	—
40TH Year	0.0344	0.0414	—	—	—	—	—	—	—
41ST Year	0.0347	0.0440	—	—	—	—	—	—	—
42ND Year	0.0357	0.0469	—	—	—	—	—	—	—
43RD Year	0.0373	0.0501	—	—	—	—	—	—	—
44TH Year	0.0389	0.0536	—	—	—	—	—	—	—
45TH Year	0.0414	—	—	—	—	—	—	—	—
46TH Year	0.0440	—	—	—	—	—	—	—	—
47TH Year	0.0469	—	—	—	—	—	—	—	—
48TH Year	0.0501	—	—	—	—	—	—	—	—
49TH Year	0.0536	—	—	—	—	—	—	—	—

TABLE E-1 -- Continued

GLTD VALUATION TABLE
TERMINATION FROM DISABLEMENT RATES
DEATH AND RECOVERY -- FEMALES

Duration of Disablement	Age of Disablement								
	22	27	32	37	42	47	52	57	62
3-MONTH ELIMINATION PERIOD									
3 Months*	1.8900	2.0410	2.6640	3.9510	5.0240	6.9980	9.8680	13.5360	16.0000
4TH Month	0.1185	0.1075	0.0988	0.0888	0.0796	0.0699	0.0587	0.0441	0.0247
5TH Month	0.1329	0.1287	0.1110	0.0995	0.0880	0.0762	0.0629	0.0465	0.0257
6TH Month	0.1174	0.1058	0.0968	0.0872	0.0781	0.0687	0.0577	0.0437	0.0248
7TH Month	0.1044	0.0929	0.0837	0.0750	0.0667	0.0565	0.0455	0.0347	0.0229
8TH Month	0.0899	0.0791	0.0698	0.0609	0.0522	0.0430	0.0347	0.0261	0.0161
9TH Month	0.0788	0.0690	0.0602	0.0521	0.0446	0.0365	0.0300	0.0208	0.0134
10TH Month	0.0707	0.0615	0.0536	0.0467	0.0400	0.0338	0.0271	0.0190	0.0115
11TH Month	0.0651	0.0566	0.0490	0.0427	0.0362	0.0310	0.0247	0.0174	0.0100
12TH Month	0.0581	0.0506	0.0439	0.0381	0.0319	0.0272	0.0219	0.0155	0.0086
13TH Month	0.0515	0.0449	0.0392	0.0340	0.0284	0.0241	0.0195	0.0138	0.0073
14TH Month	0.0456	0.0398	0.0350	0.0305	0.0255	0.0218	0.0179	0.0124	0.0063
15TH Month	0.0413	0.0363	0.0320	0.0281	0.0237	0.0200	0.0167	0.0114	0.0059
16TH Month	0.0376	0.0333	0.0294	0.0261	0.0221	0.0187	0.0158	0.0105	0.0055
17TH Month	0.0340	0.0304	0.0271	0.0242	0.0207	0.0174	0.0147	0.0098	0.0051
18TH Month	0.0307	0.0276	0.0247	0.0224	0.0193	0.0160	0.0137	0.0091	0.0049
19TH Month	0.0277	0.0252	0.0226	0.0207	0.0180	0.0149	0.0127	0.0086	0.0046
20TH Month	0.0254	0.0231	0.0208	0.0192	0.0167	0.0139	0.0119	0.0081	0.0044
21ST Month	0.0230	0.0212	0.0194	0.0179	0.0156	0.0128	0.0109	0.0077	0.0043
22ND Month	0.0212	0.0194	0.0177	0.0166	0.0144	0.0119	0.0099	0.0072	0.0042
23RD Month	0.0194	0.0177	0.0162	0.0151	0.0133	0.0109	0.0092	0.0069	0.0041
24TH Month	0.0177	0.0163	0.0147	0.0138	0.0122	0.0102	0.0086	0.0066	0.0042

*Rates of disablement per 1,000 lives.

TABLE E-1 -- Continued

Duration of Disablement	Age of Disablement								
	22	27	32	37	42	47	52	57	62
6-MONTH ELIMINATION PERIOD									
6 Months*	1.0000	1.1570	1.5540	2.3150	3.0500	4.6280	7.2820	10.6830	12.5320
7TH Month	0.0653	0.0592	0.0506	0.0441	0.0397	0.0337	0.0274	0.0211	0.0160
8TH Month	0.0682	0.0618	0.0527	0.0461	0.0418	0.0358	0.0293	0.0227	0.0153
9TH Month	0.0641	0.0570	0.0478	0.0413	0.0369	0.0319	0.0261	0.0208	0.0134
10TH Month	0.0589	0.0522	0.0437	0.0375	0.0332	0.0293	0.0236	0.0190	0.0115
11TH Month	0.0543	0.0481	0.0404	0.0343	0.0300	0.0270	0.0215	0.0174	0.0100
12TH Month	0.0484	0.0430	0.0363	0.0306	0.0265	0.0236	0.0190	0.0155	0.0086
13TH Month	0.0430	0.0380	0.0325	0.0274	0.0232	0.0207	0.0167	0.0138	0.0073
14TH Month	0.0383	0.0336	0.0291	0.0246	0.0206	0.0183	0.0150	0.0124	0.0063
15TH Month	0.0348	0.0303	0.0266	0.0227	0.0190	0.0167	0.0140	0.0114	0.0059
16TH Month	0.0319	0.0274	0.0245	0.0211	0.0176	0.0155	0.0130	0.0105	0.0055
17TH Month	0.0291	0.0249	0.0225	0.0197	0.0166	0.0144	0.0122	0.0098	0.0051
18TH Month	0.0266	0.0227	0.0206	0.0185	0.0156	0.0135	0.0114	0.0091	0.0049
19TH Month	0.0245	0.0207	0.0190	0.0173	0.0147	0.0126	0.0107	0.0086	0.0046
20TH Month	0.0225	0.0194	0.0176	0.0162	0.0140	0.0119	0.0101	0.0081	0.0044
21ST Month	0.0208	0.0181	0.0164	0.0153	0.0132	0.0113	0.0095	0.0077	0.0043
22ND Month	0.0194	0.0171	0.0152	0.0144	0.0126	0.0108	0.0090	0.0072	0.0042
23RD Month	0.0184	0.0166	0.0144	0.0137	0.0121	0.0103	0.0086	0.0069	0.0041
24TH Month	0.0177	0.0161	0.0138	0.0131	0.0117	0.0099	0.0084	0.0066	0.0042
12-MONTH ELIMINATION PERIOD									
12 Months*	0.7580	0.9780	1.3410	2.2100	3.3470	3.7920	6.6800	9.5100	10.0880
13TH Month	0.0210	0.0169	0.0144	0.0131	0.0126	0.0122	0.0117	0.0104	0.0081
14TH Month	0.0261	0.0224	0.0191	0.0172	0.0153	0.0145	0.0132	0.0112	0.0077
15TH Month	0.0264	0.0230	0.0196	0.0184	0.0162	0.0152	0.0135	0.0110	0.0073
16TH Month	0.0257	0.0220	0.0190	0.0181	0.0158	0.0148	0.0130	0.0102	0.0066
17TH Month	0.0246	0.0208	0.0184	0.0172	0.0154	0.0140	0.0122	0.0093	0.0053
18TH Month	0.0233	0.0198	0.0178	0.0167	0.0150	0.0135	0.0110	0.0078	0.0046
19TH Month	0.0224	0.0191	0.0173	0.0161	0.0145	0.0126	0.0099	0.0067	0.0042
20TH Month	0.0217	0.0185	0.0168	0.0158	0.0140	0.0119	0.0092	0.0060	0.0038
21ST Month	0.0208	0.0179	0.0163	0.0152	0.0133	0.0113	0.0088	0.0059	0.0037
22ND Month	0.0192	0.0170	0.0152	0.0140	0.0126	0.0109	0.0086	0.0059	0.0036
23RD Month	0.0180	0.0161	0.0144	0.0132	0.0120	0.0104	0.0084	0.0059	0.0035
24TH Month	0.0172	0.0154	0.0136	0.0126	0.0116	0.0102	0.0085	0.0059	0.0037

*Rates of disablement per 1,000 lives.

TABLE E-1 — Continued

Duration from Disablement	Age of Disablement								
	22	27	32	37	42	47	52	57	62
ALL ELIMINATION PERIODS									
3RD Year	0.1503	0.1391	0.1248	0.1088	0.0930	0.0785	0.0657	0.0542	0.0423
4TH Year	0.0950	0.0828	0.0693	0.0566	0.0467	0.0403	0.0373	0.0363	0.0350
5TH Year	0.0663	0.0588	0.0491	0.0398	0.0331	0.0302	0.0304	0.0316	0.0306
6TH Year	0.0478	0.0438	0.0376	0.0315	0.0275	0.0257	0.0262	0.0279	0.0275
7TH Year	0.0352	0.0330	0.0298	0.0266	0.0250	0.0235	0.0237	0.0254	0.0266
8TH Year	0.0266	0.0258	0.0246	0.0237	0.0238	0.0230	0.0231	0.0255	0.0284
9TH Year	0.0203	0.0210	0.0210	0.0214	0.0230	0.0227	0.0230	0.0266	0.0314
10TH Year	0.0164	0.0171	0.0182	0.0195	0.0219	0.0221	0.0224	0.0269	0.0344
11TH Year	0.0146	0.0153	0.0166	0.0185	0.0211	0.0221	0.0233	0.0295	0.0412
12TH Year	0.0147	0.0156	0.0169	0.0190	0.0214	0.0222	0.0239	0.0314	0.0442
13TH Year	0.0149	0.0158	0.0173	0.0195	0.0215	0.0226	0.0249	0.0336	0.0474
14TH Year	0.0150	0.0160	0.0176	0.0202	0.0217	0.0228	0.0261	0.0359	0.0510
15TH Year	0.0151	0.0163	0.0180	0.0206	0.0219	0.0230	0.0277	0.0386	0.0548
16TH Year	0.0153	0.0166	0.0185	0.0211	0.0221	0.0233	0.0295	0.0412	0.0590
17TH Year	0.0156	0.0169	0.0190	0.0214	0.0222	0.0239	0.0314	0.0442	0.0635
18TH Year	0.0158	0.0173	0.0195	0.0215	0.0225	0.0249	0.0336	0.0474	0.0683
19TH Year	0.0160	0.0176	0.0202	0.0217	0.0228	0.0261	0.0359	0.0510	0.0736
20TH Year	0.0163	0.0180	0.0206	0.0219	0.0230	0.0277	0.0386	0.0548	0.0793
21ST Year	0.0166	0.0185	0.0211	0.0221	0.0232	0.0295	0.0412	0.0590	0.0854
22ND Year	0.0169	0.0190	0.0214	0.0222	0.0239	0.0314	0.0442	0.0635	0.0919
23RD Year	0.0173	0.0195	0.0215	0.0225	0.0249	0.0336	0.0474	0.0683	0.0990
24TH Year	0.0176	0.0202	0.0217	0.0228	0.0261	0.0359	0.0510	0.0736	0.1065
25TH Year	0.0180	0.0206	0.0219	0.0230	0.0277	0.0386	0.0548	0.0793	0.1146
26TH Year	0.0185	0.0211	0.0221	0.0232	0.0295	0.0412	0.0590	0.0854	0.1230
27TH Year	0.0190	0.0214	0.0222	0.0239	0.0314	0.0442	0.0635	0.0919	0.1322
28TH Year	0.0195	0.0215	0.0225	0.0249	0.0336	0.0474	0.0683	0.0990	0.1418
29TH Year	0.0202	0.0217	0.0228	0.0261	0.0359	0.0510	0.0736	0.1065	0.1519
30TH Year	0.0206	0.0219	0.0230	0.0277	0.0386	0.0548	0.0793	0.1146	0.1626
31ST Year	0.0211	0.0221	0.0232	0.0295	0.0412	0.0590	0.0854	0.1230	0.1738
32ND Year	0.0214	0.0222	0.0239	0.0314	0.0442	0.0635	0.0919	0.1322	0.1855
33RD Year	0.0215	0.0225	0.0249	0.0336	0.0474	0.0683	0.0990	0.1418	0.1976
34TH Year	0.0217	0.0228	0.0261	0.0359	0.0510	0.0736	0.1065	0.1519	0.2101
35TH Year	0.0219	0.0230	0.0277	0.0386	0.0548	0.0793	0.1146	0.1626	0.2228
36TH Year	0.0221	0.0232	0.0295	0.0412	0.0590	0.0854	0.1230	0.1738	0.2360
37TH Year	0.0222	0.0239	0.0314	0.0442	0.0635	0.0919	0.1322	0.1855	0.2491
38TH Year	0.0225	0.0249	0.0336	0.0474	0.0683	0.0990	0.1418	0.1976	0.2624
39TH Year	0.0228	0.0261	0.0359	—	—	—	—	—	—
40TH Year	0.0230	0.0277	—	—	—	—	—	—	—
41ST Year	0.0232	0.0295	—	—	—	—	—	—	—
42ND Year	0.0239	0.0314	—	—	—	—	—	—	—
43RD Year	0.0249	0.0336	—	—	—	—	—	—	—
44TH Year	0.0261	0.0359	—	—	—	—	—	—	—
45TH Year	0.0277	—	—	—	—	—	—	—	—
46TH Year	0.0295	—	—	—	—	—	—	—	—
47TH Year	0.0314	—	—	—	—	—	—	—	—
48TH Year	0.0336	—	—	—	—	—	—	—	—
49TH Year	0.0359	—	—	—	—	—	—	—	—

*Rates of disabement per 1,000 lives.

TABLE E-2

GLTD VALUATION TABLE VS. GLTD BASIC TABLE
 RATIO OF CLAIM RESERVES
 VALUATION TO BASIC*
 BENEFIT TO AGE 65 — 5 1/2%

Duration from Disablement	Male				Female			
	27	37	47	57	27	37	47	57
3-Month Elimination Period								
3 Months	1.17	1.13	1.09	1.05	1.16	1.13	1.09	1.05
9 Months	1.11	1.08	1.06	1.03	1.10	1.08	1.05	1.03
18 Months	1.08	1.06	1.04	1.02	1.06	1.05	1.03	1.02
3 Years	1.05	1.04	1.03	1.01	1.04	1.03	1.02	1.01
5 Years	1.04	1.03	1.02	1.01	1.03	1.02	1.01	1.00
10 Years	1.03	1.02	1.01	—	1.02	1.02	1.01	—
6-Month Elimination Period								
6 Months	1.12	1.09	1.06	1.03	1.11	1.08	1.06	1.03
9 Months	1.10	1.08	1.05	1.03	1.09	1.07	1.05	1.03
18 Months	1.08	1.06	1.04	1.02	1.06	1.05	1.03	1.02
3 Years	1.05	1.04	1.03	1.01	1.04	1.03	1.02	1.01
5 Years	1.04	1.03	1.02	1.01	1.03	1.02	1.01	1.00
10 Years	1.03	1.02	1.01	—	1.02	1.02	1.01	—
12-Month Elimination Period								
12 Months	1.09	1.07	1.05	1.02	1.07	1.06	1.04	1.02
18 Months	1.08	1.06	1.04	1.02	1.06	1.05	1.03	1.02
3 Years	1.05	1.04	1.03	1.01	1.04	1.03	1.02	1.01
5 Years	1.04	1.03	1.02	1.01	1.03	1.02	1.01	1.00
10 Years	1.03	1.02	1.01	—	1.02	1.02	1.01	—

*Termination rates in Valuation Table are 90% of termination rates in Basic Table at all durations.

AT&T CORP.

LTD Medical

Average Annual Claim Cost per Retiree for the Period 6/1/92 to 5/31/93

Duration Since LTD Began	Retirees Who Are Receiving Social Security Benefits		Retirees Not Receiving Social Security Benefits		Retirees Who Are Receiving Social Security Benefits		Retirees Not Receiving Social Security Benefits	
	Average Annual Claim Costs Per Retiree				Cumulative Durational Trend Rates			
	Male	Female	Male	Female	Male	Female	Male	Female
0-1	\$80,250	\$61,700	\$33,200	\$15,200	1.000	1.000	1.000	1.000
1-2	20,063	30,850	21,580	11,400	0.250	0.500	0.650	0.750
2-3	8,025	14,808	19,422	10,260	0.100	0.240	0.585	0.675
3-4	5,056	9,625	17,496	9,242	0.063	0.156	0.527	0.608
4-5	2,087	2,406	5,412	4,621	0.026	0.039	0.163	0.304
5-6	2,087	2,406	5,412	4,621	0.026	0.039	0.163	0.304
6-7	2,087	2,406	5,412	4,621	0.026	0.039	0.163	0.304
7-8	2,087	2,406	5,412	4,621	0.026	0.039	0.163	0.304
8-9	2,087	2,406	5,412	4,621	0.026	0.039	0.163	0.304
9+	1,043	1,234	5,412	4,621	0.013	0.020	0.163	0.304

Average Annual Claim Cost per Retiree in Respect of Dependents

Retiree's Age	Dependents of Males	Dependents of Females
20-24	\$0	\$114
25-29	7	405
30-34	86	667
35-39	231	1,656
40-44	1,217	2,237
45-49	1,683	612
50-54	1,930	627
55-59	763	624
60+	352	615

Notes:

1. The above average claims do not reflect the calendar year trend rates shown on page 6 of this Appendix.
2. The cumulative durational trend rates shown above when applied to the duration 0-1 average claim costs produce the average claim costs at future duration.

AT&T CORP.

LTD Medical

Calendar Year Net Claims Cost Trend Rates

Annual Trend To Mid-Year	Retirees Not Receiving Social Security Benefits	Retirees Who Are Receiving Social Security Benefits	Dependents of LTD Recipients
1993	9.5%	8.1%	9.5%
1994	9.0%	9.1%	9.0%
1995	8.5%	8.0%	8.5%
1996	8.3%	7.5%	8.3%
1997	8.0%	7.4%	8.0%
1998	7.7%	6.9%	7.7%
1999	7.5%	6.7%	7.5%
2000	6.8%	6.5%	6.8%
2001-2004	6.5%	6.4%	6.5%
2005-2010	6.4%	6.3%	6.4%
2011-2020	5.9%	5.8%	5.9%
2021-2030	5.7%	5.7%	5.7%
2031-2032	5.7%	5.7%	5.7%
2033-2040	5.6%	5.6%	5.6%
2041 & Later	5.6%	5.6%	5.6%

AT&T MANAGEMENT

**Annual Rates of Employee Separation From Service
Before Eligibility To Service Retirement
Assumed in Determining SFAS 112 Downsizing Liabilities and Costs**

Service in years t	Rates of Separation during year t + .5 to t + 1.5	
	Male	Female
0	.1120	.1181
1	.1073	.1112
2	.0950	.1049
3	.0842	.0989
4	.0751	.0935
5	.0676	.0885
6	.0618	.0840
7	.0575	.0800
8	.0550	.0764
9	.0540	.0733
10	.0530	.0706
11	.0520	.0684
12	.0500	.0667
13	.0485	.0660
14	.0479	.0650
15	.0470	.0640
16	.0459	.0630
17	.0445	.0620
18	.0429	.0610
19	.0411	.0598
20	.0391	.0570
21	.0368	.0538
22	.0343	.0502
23	.0315	.0461
24	.0286	.0417
25	.0253	.0367
26	.0219	.0314
27	.0182	.0256
28	.0143	.0194
29	.0101	.0128
30	.0058	.0057

Source: AT&T experience 1985-1989

Note: Based on separations for all causes

AT&T MANAGEMENT

**Annual Rates of Mortality Among Active Employees
Assumed in Determining SFAS 112 Downsizing Liabilities and Costs**

Age x	Rates of Mortality During Year of Age x+.5 to x+1.5		Age x	Rates of Mortality During Year of Age x+.5 to x+1.5	
	Male	Female		Male	Female
15	.0011	.0003	43	.0021	.0013
16	.0011	.0003	44	.0024	.0015
17	.0011	.0003	45	.0027	.0017
18	.0011	.0003	46	.0030	.0019
19	.0010	.0003	47	.0034	.0021
20	.0010	.0003	48	.0038	.0022
21	.0009	.0003	49	.0041	.0024
22	.0009	.0004	50	.0045	.0025
23	.0008	.0004	51	.0050	.0026
24	.0008	.0004	52	.0055	.0027
25	.0008	.0004	53	.0061	.0030
26	.0008	.0004	54	.0068	.0033
27	.0008	.0004	55	.0075	.0037
28	.0007	.0005	56	.0083	.0040
29	.0007	.0005	57	.0092	.0044
30	.0007	.0006	58	.0102	.0049
31	.0007	.0006	59	.0111	.0053
32	.0007	.0007	60	.0121	.0058
33	.0007	.0007	61	.0132	.0063
34	.0008	.0008	62	.0143	.0068
35	.0008	.0008	63	.0154	.0074
36	.0009	.0008	64	.0165	.0080
37	.0011	.0009	65	.0177	.0086
38	.0012	.0009	66	.0190	.0093
39	.0013	.0010	67	.0202	.0101
40	.0015	.0010	68	.0215	.0110
41	.0016	.0011	69	.0228	.0119
42	.0018	.0012			

Source: Industry-wide experience 1973-1977

AT&T MANAGEMENT

**Annual Rates of Retirement on Disability Pension
Assumed in Determining SFAS 112 Downsizing Liabilities and Costs**

Age x	Rates of Disability Retirement during year of age x + .5 to x + 1.5	
	Male	Female
29	.0001	.0004
30	.0001	.0004
31	.0001	.0005
32	.0002	.0006
33	.0002	.0008
34	.0003	.0011
35	.0003	.0013
36	.0004	.0015
37	.0005	.0017
38	.0007	.0020
39	.0008	.0023
40	.0009	.0024
41	.0010	.0026
42	.0011	.0027
43	.0012	.0029
44	.0014	.0031
45	.0016	.0033
46	.0019	.0036
47	.0022	.0039
48	.0026	.0043
49	.0029	.0047
50	.0034	.0052
51	.0040	.0057
52	.0046	.0063
53	.0053	.0069
54	.0060	.0074
55	.0062	.0079
56	.0066	.0083
57	.0074	.0087
58	.0088	.0099
59	.0110	.0116
60	.0141	.0137
61	.0183	.0164
62	.0239	.0198
63	.0308	.0238
64	.0394	.0286

Source: AT&T experience 1985-1989

AT&T MANAGEMENT

**Annual Rates of Retirement on Service Pension
Assumed in Determining SFAS 112 Downsizing Liabilities and Costs**

Age x	Rates of Retirement during year of age x + .5 to x + 1.5	
	Male	Female
44	.0006	.0180
45	.0012	.0395
46	.0070	.0424
47	.0119	.0463
48	.0164	.0513
49	.0208	.0574
50	.0254	.0645
51	.0305	.0727
52	.0364	.0821
53	.0433	.0925
54	.0560	.1128
55	.0721	.1363
56	.0924	.1634
57	.1178	.1942
58	.1494	.2293
59	.1883	.2689
60	.2356	.3133
61	.3600	.4000
62	.3600	.4000
63	.3600	.4000
64	.5000	.5000
65	.5000	.5000
66	.4500	.4500
67	.4500	.4500
68	.4500	.4500
69	.9886	.9940

Source: AT&T experience 1985-1989

AT&T MANAGEMENT

Annual Rates of Salary Increases
Assumed in Determining SFAS 112 Downsizing Liabilities and Costs

Service in Years t	Rates of Salary increases during year t + .5 to t + 1.5
0	.1450
1	.1150
2	.0900
3	.0800
4	.0750
5	.0710
6	.0675
7	.0650
8	.0625
9	.0610
10	.0600
11	.0590
12	.0585
13	.0577
14	.0575
15	.0572
16	.0570
17	.0567
18	.0565
19	.0562
20 or more	.0560

Source: AT&T experience 1985 - 1989

AT&T NONMANAGEMENT

**Annual Rates of Employee Separation from Service
Before Eligibility for Service Retirement
Assumed in Determining SFAS 112 Downsizing Liabilities and Costs**

Service in years t	Rates of Separation during year of age t + .5 to t + 1.5	
	Male	Female
0	.3400	.3100
1	.1772	.1800
2	.1498	.1223
3	.1263	.1176
4	.1065	.1129
5	.0906	.1083
6	.0785	.1038
7	.0702	.0993
8	.0656	.0949
9	.0646	.0906
10	.0636	.0863
11	.0626	.0820
12	.0617	.0778
13	.0598	.0737
14	.0598	.0696
15	.0530	.0656
16	.0475	.0616
17	.0423	.0577
18	.0376	.0539
19	.0331	.0501
20	.0291	.0463
21	.0254	.0426
22	.0221	.0390
23	.0191	.0354
24	.0165	.0319
25	.0143	.0285
26	.0124	.0250
27	.0109	.0217
28	.0097	.0184
29	.0090	.0152
30	.0085	.0120

Source: AT&T experience 1985 - 1989

Note: Based on separations for all causes

AT&T NONMANAGEMENT

**Annual Rates of Mortality Among Active Employees
Assumed in Determining SFAS 112 Downsizing Liabilities and Costs**

Age x	Rates of mortality during year of age x+.5 to x+1.5		Age x	Rates of mortality during year of age x+.5 to x+1.5	
	Male	Female		Male	Female
15	.0011	.0003	43	.0021	.0013
16	.0011	.0003	44	.0024	.0015
17	.0011	.0003	45	.0027	.0017
18	.0011	.0003	46	.0030	.0019
19	.0010	.0003	47	.0034	.0021
20	.0010	.0003	48	.0038	.0022
21	.0009	.0003	49	.0041	.0024
22	.0009	.0004	50	.0045	.0025
23	.0008	.0004	51	.0050	.0026
24	.0008	.0004	52	.0055	.0027
25	.0008	.0004	53	.0061	.0030
26	.0008	.0004	54	.0068	.0033
27	.0008	.0004	55	.0075	.0037
28	.0007	.0005	56	.0083	.0040
29	.0007	.0005	57	.0092	.0044
30	.0007	.0006	58	.0102	.0049
31	.0007	.0006	59	.0111	.0053
32	.0007	.0007	60	.0121	.0058
33	.0007	.0007	61	.0132	.0063
34	.0008	.0008	62	.0143	.0068
35	.0008	.0008	63	.0154	.0074
36	.0009	.0008	64	.0165	.0080
37	.0011	.0009	65	.0177	.0086
38	.0012	.0009	66	.0190	.0093
39	.0013	.0010	67	.0202	.0101
40	.0015	.0010	68	.0215	.0110
41	.0016	.0011	69	.0228	.0119
42	.0018	.0012			

Source: Industry wide experience 1973 - 1977

AT&T NONMANAGEMENT

Annual Rates of Retirement on Disability Pension
Assumed in Determining SFAS 112 Downsizing Liabilities and Costs

Age x	Rates of Disability during year of age x + .5 to x + 1.5	
	Male	Female
29	.0001	.0004
30	.0001	.0004
31	.0001	.0005
32	.0002	.0006
33	.0002	.0008
34	.0003	.0011
35	.0003	.0013
36	.0004	.0015
37	.0005	.0017
38	.0007	.0020
39	.0008	.0023
40	.0009	.0024
41	.0010	.0026
42	.0011	.0027
43	.0012	.0029
44	.0014	.0031
45	.0016	.0033
46	.0019	.0036
47	.0022	.0039
48	.0026	.0043
49	.0029	.0047
50	.0034	.0052
51	.0040	.0057
52	.0046	.0063
53	.0053	.0069
54	.0060	.0074
55	.0062	.0079
56	.0066	.0083
57	.0074	.0087
58	.0088	.0099
59	.0110	.0116
60	.0141	.0137
61	.0183	.0164
62	.0239	.0198
63	.0308	.0238
64	.0394	.0286

Source: AT&T experience 1985-1989

AT&T NONMANAGEMENT

**Annual Rates of Retirement on Service Pension
Assumed in Determining SFAS 112 Downsizing Liabilities and Costs**

Age x	Rates of Retirement during year of age x + .5 to x + 1.5	
	Male	Female
44	.0150	.0075
45	.0314	.0158
46	.0461	.0290
47	.0540	.0386
48	.0540	.0453
49	.0540	.0498
50	.0600	.0527
51	.0600	.0546
52	.0713	.0562
53	.0724	.0580
54	.0811	.0659
55	.0924	.0762
56	.1081	.0899
57	.1298	.1086
58	.1595	.1337
59	.1996	.1673
60	.2526	.2114
61	.4500	.3700
62	.4500	.3700
63	.4500	.3700
64	.6000	.5000
65	.6000	.5000
66	.4000	.4000
67	.4000	.4000
68	.4000	.4000
69	.9986	.9940

Source: AT&T experience 1985 - 1989